

Meeting Summary.

Following is a summary of the issues discussed at the WaterStat meeting on November 20, 2015. Analysis provided by the Office of Performance and Data Analytics.

GCWW BILLING & COLLECTIONS

The goal for this conversation is to increase city revenue by ensuring GCWW's collections process maximizes payment for its services.

During our last meeting, we identified the need for further development of metrics to track delinquent accounts. Our next milestone is to resolve any remaining questions, finalize and report on metrics for billing and collections, and have Law provide an overview of their role in GCWW collections.

- **Remaining collections questions.** GCWW has provided the following responses to questions in the Follow Up memo.

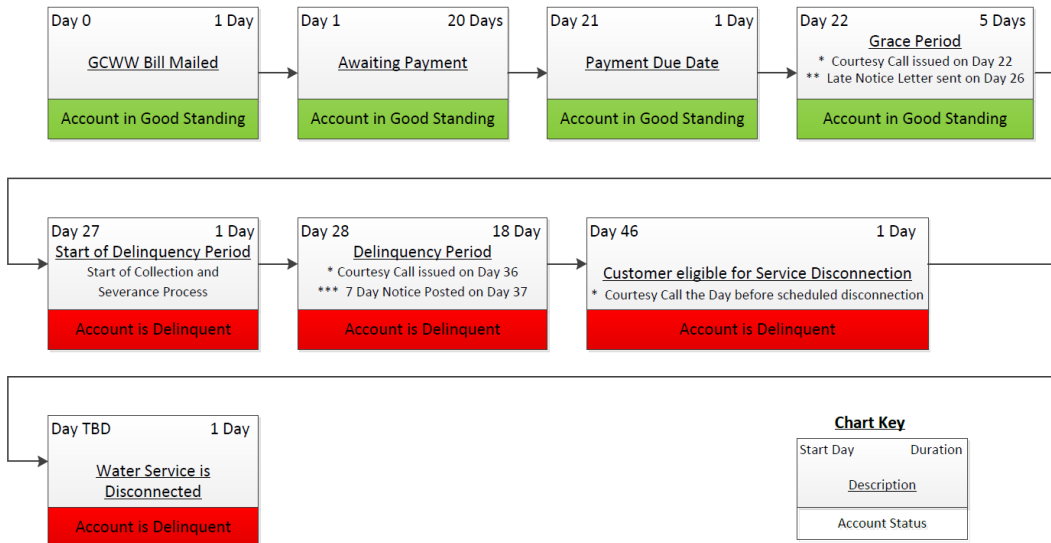
1. How does the department define delinquent? Does the definition include grace periods or not?

A delinquent account is defined as any account (active/inactive) that has a balance and is past the due date plus grace period. Payments are due 21 days after the date the original bill was generated. GCWW then allows a 5 day grace period (days 22-26) before the account officially becomes delinquent. Delinquency and the associated late charges start on Day 27.

2. What is the timeline of bill lateness? Please provide a flow chart that includes all deadlines, grace periods, and the status of the bill as time progresses.

The following chart contains a flow chart showing the deadlines, grace periods, and the status of the bill as time progresses. In summary:

- Day 0: The bill is mailed or issued to the customer.
- Day 21: Due date. Start of 5 day grace period.
- Day 27: Start of delinquency period.
- Day 46: The first day the customer is eligible for disconnection.



Please also note whether human discretion is involved from one step of lateness to the next, or if the system automatically updates bill status by date. When is a bill eligible for disconnection? *Most of the process is fully automated. If a payment has not been received by the end of the grace period (Day 26) the account will automatically change to delinquent status on Day 27 and trigger the start of the Collections and Severance process. This process automatically assigns one of fourteen Collection Class Codes to the account based upon the type of account.*

The actual process of notifications and eventual disconnection (or severance) is dependent upon the parameters established for each Collection Class Code. All Accounts except those coded DelQ3, DelQ6, or NONCC (as

Collection Class Code Configuration

Code	Description
DELQ1	Delinquency Code 1 (No Post Single Family)
DELQ2	Delinquency Code 2 (With Post)
DELQ3	Delinquency Code 3 (No Turn off)
DELQ4	Delinquency Code 4 (Manifold Accounts)
DELQ5	Delinquency Code 5 (Inactive Accounts)
DELQ6	Delinquency Code 6 (Life Support)
DELQ7	Delinquency Code 7 (Manifold Turn- Off Account - No post)
DELQ8	Delinquency Code 8 (Manifold Post Accounts)
DELQ9	Delinquency Code 9 (Water Off Vacant)
NONCC	Not subject to credit and collection
DELQ11	Delinquency Code 11 (Loan Accounts (obsolete))
DELQ12	Delinquency Code 12 (Bankruptcy - No Delinquency Processing)
DELQ13	Delinquency Code 13 (Sewer Only)
DELQ14	Delinquency Code 14 (CMHA)

highlighted in yellow above) follow an automated process between the start of delinquency and the initiation of the work order to send a Field Service Representative to disconnect (shut-off) the water service.

DelQ3 and DelQ6 accounts initiate a manual process involving a GCWW Collections Agent contacting the customer. These types of accounts are typically for schools, hospitals, government accounts, large commercial accounts, and customers with life safety needs that are water dependent.

3. The department submitted summary data of its delinquent accounts. Did this information include **both** water and sewer delinquent accounts, or only water?

The data included the entire delinquent account balance which includes charges for water, sewer, stormwater, and trash collection services as applicable.

4. Per the City Manager's request, please identify/categorize inactive accounts by their age and provide that breakdown. Which older accounts should be written off to avoid skewing the numbers?

DELINQUENT INACTIVE ACCOUNTS

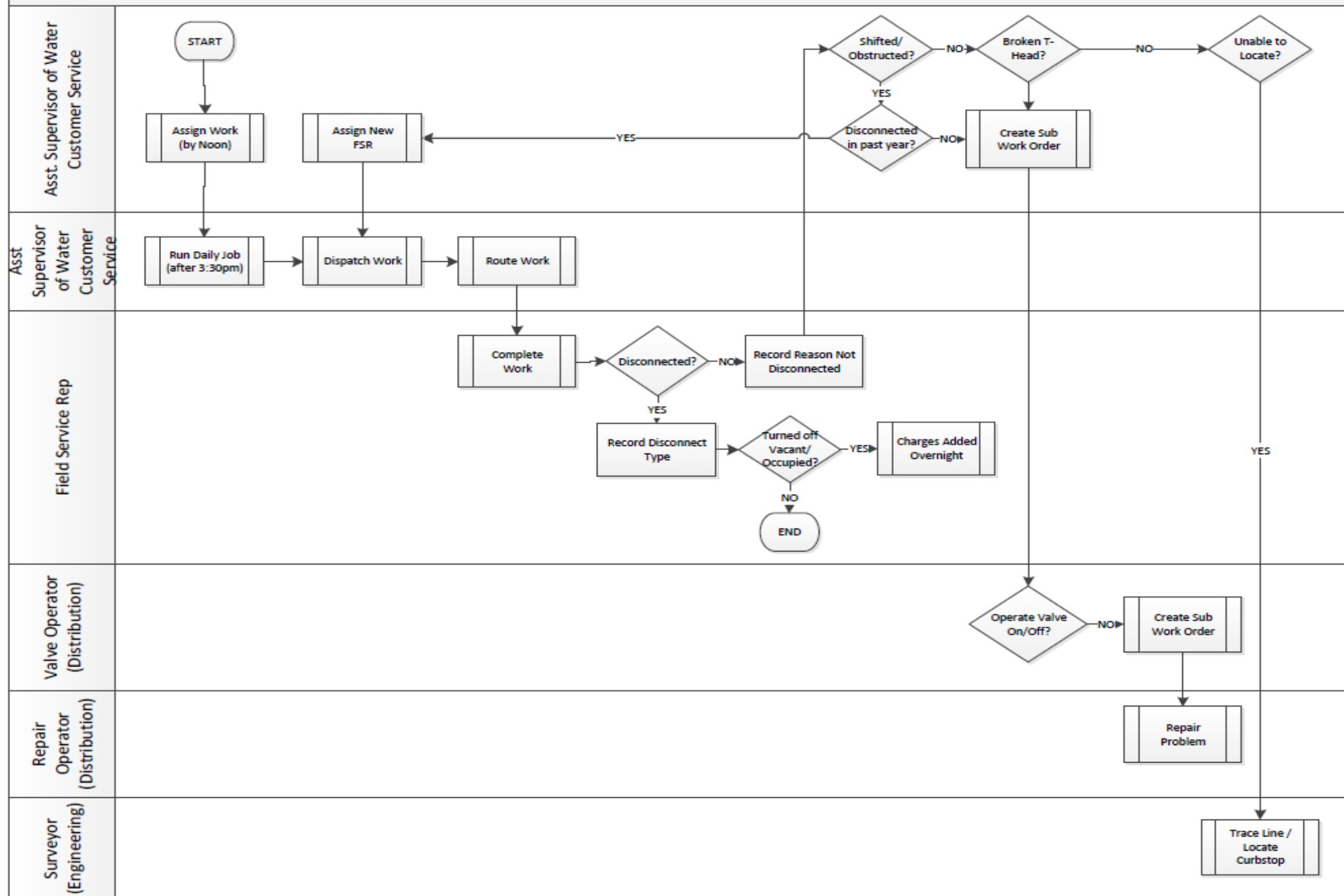
Delinquency Age	# of accounts (#)	Total Value of Accounts (\$)
Greater than 30 days past due date AND less than 1 year past due date	2013	\$ 542,728.31
Greater than 1 year past due date, AND less than 2 years past due date	2824	\$ 955,119.97
Greater than 2 years past due date, AND less than 3 years past due date	2808	\$ 947,182.63
Greater than 3 years past due date, AND less than 4 years past due date	2707	\$ 893,041.64
Greater than 4 years past due date, AND less than 5 years past due date	2313	\$ 936,266.65
Greater than 5 years past due date, AND less than 6 years past due date	2962	\$ 1,384,843.60
Greater than 6 years past due date	3225	\$ 3,172,862.98
Total :	18852	\$ 8,832,045.78

GCWW is currently in the process of writing off all delinquent inactive accounts 6 years old or older. This list has been approved by the city treasurer, returned to GCWW, and the account balances are being written off. Once this process is complete, GCWW will initiate writing off all inactive accounts that are 4 years old or older.

5. What is the process for shutting off water service? [from previous follow-up memo]

The flow lanes in the chart below show how the work is assigned by the Supervisor(s) to the Field Service Representatives (FSR) who go out in the field and disconnect customers. The disconnection process involves the FSR turning off the curb stop valve to prevent the flow of water to a customer's premise.

Delinquent Account Disconnection Process



6. What are our average billing costs per average account? [from previous follow-up, the Department noted an upgraded system is being developed, please report-out on progress of this effort]

GCWW is still in the process of updating the Billing Cost per Account model and will provide the information as soon as possible.

7. What are the criteria for providing payment plans to customers? Where is payment plan data gathered? How are payment plans monitored?

Payment plans are typically initiated by a customer calling GCWW's customer service line (591-7700) and requesting to speak with a Customer Service Representative (CSR).

The CSR will pull up the customer's account information and look at the following items:

- *Past Due Balance. If the account is more than one billing cycle past due the customer is typically not eligible for a payment plan. Any exception will require that the CSR discuss the account with a Supervisor.*
- *Payment History. If the customer has not met all (or most) of their previous payments, the customer will typically not be eligible for a payment plan. Any exception will require that CSR discuss the account with a Supervisor.*
- *Payment Plan History. If the customer has not met all (or most) of their previous payment plans the CSR will discuss the account with a Supervisor*
- *Pending or Post Shut-Off Date. If the customer is already on the shut off list (or has been shut-off) the past due balance must be paid to stop the shut-off or turn the water back on. A Supervisor must be contacted if the customer is unable to make the full payment before a payment plan can be established.*
- *Collections referral. If the account has already been referred to the City Law Department for the purpose of collections GCWW cannot set up a payment plan and the customer must contact the Law Department directly.*

Payment plans will normally involve one of the following options:

- *Payment Extensions. Extend the due date up to 30 days but no further than the next reading date. Extenuating circumstances are referred to a supervisor.*
- *Installments. Typical Installment Plans require 25% down immediately and 25% per month for the next 3 months as long as all payments are caught up by the next meter read. The duration between payments may be shortened in order to get the balance paid in full before the next meter read date. Extenuating circumstances are referred to a supervisor.*
- *High Bill Installment Plans. This option is for special situations where a customer has a one time high bill and requires supervisor approval. These are typically used if a customer had a leak on their property and suddenly was faced with a large bill. Typically payment arrangements require 10% down and 20% payments while maintaining payment on regular water bills. Special circumstances beyond this require Senior Management approval.*

The payment plan details (including amounts and due dates) are placed into the billing system (currently Customer Suite) by the CSR. The billing system will treat these new payments and due dates like normal bill due dates and automatically flags the account if the terms of the payment plan are broken. Accounts with broken payment plan arrangements are accelerated through the delinquent shut-off process by being placed in the delinquency queue at the post and/or shut off step. (For post accounts they are reinserted at day 36 and shut off accounts at day 46).

GCWW has many reports to track the history and performance of payment plans. Attachment 3 "PP-First-Time-Graph" contains details on the number of payment plans issued per month (over the last 12 months) and the number of these that were issued to customers making their first ever payment plan request (since the beginning of the billing system).

8. What are GCWW's standard operating procedures for referring an account to Law?

GCWW sends both active and inactive delinquent accounts with an account balance over \$500 to the Law Department.

The standard practice for active accounts follows the “Timeline of Late Bill Status” (Attachment #1) from the point the bill is generated and throughout the delinquency process until the Water Service is disconnected (shut-off). The standard practice for inactive accounts skips the late due notice (during the grace period) and the severance process (Days 27 through the water service disconnection) since these do not pertain to inactive accounts.

Both active and inactive accounts follow similar practices after this time frame. The GCWW Collections Department manually sends out a referral notice to the customer informing them their account will be sent to collections (or Law) if not paid by a certain date. And finally if the account is not paid by that time frame the account is referred to a collections agency (or Law).

The new billing system is being designed with automation that will assist the GCWW collection agents in performing these tasks. Furthermore, the process is currently under an internal review to enhance performance.

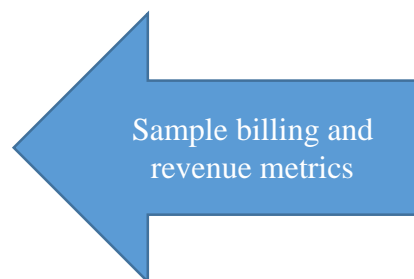
9. What are GCWW’s standard operating procedures for referring an account to an outside collections agency?

Inactive delinquent accounts with a balance under \$500 are sent to outside collection agencies.

- **Finalized metrics and baseline.** Since our last meeting GCWW has worked with OPDA to create standard measures for reporting billing and delinquent account information. The following charts show.

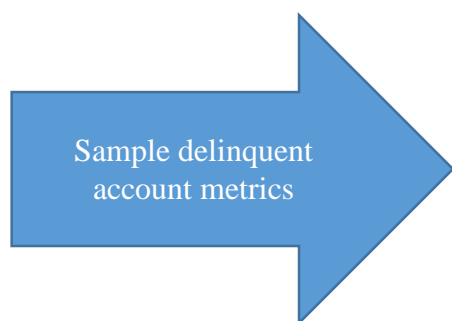
Biweekly Measures	Reporting Period				
	10/25 11/07 *	11/08 11/21	11/22 12/05	12/06 12/19	
Accounts, Billing and revenue					
Total number of metered accounts		237,240			
# Water only		16,975			
# Sewer only		200			
# Both water and sewer		220,065			
Period	Oct-15	Oct-16	Nov-16	Dec-16	Jan-17
\$ metered water billed	49,302,115.55				
\$ metered water revenue	49,375,920.47				
Billed to revenue ratio	99.85%				

* Reported Account numbers as of 11/13/15.



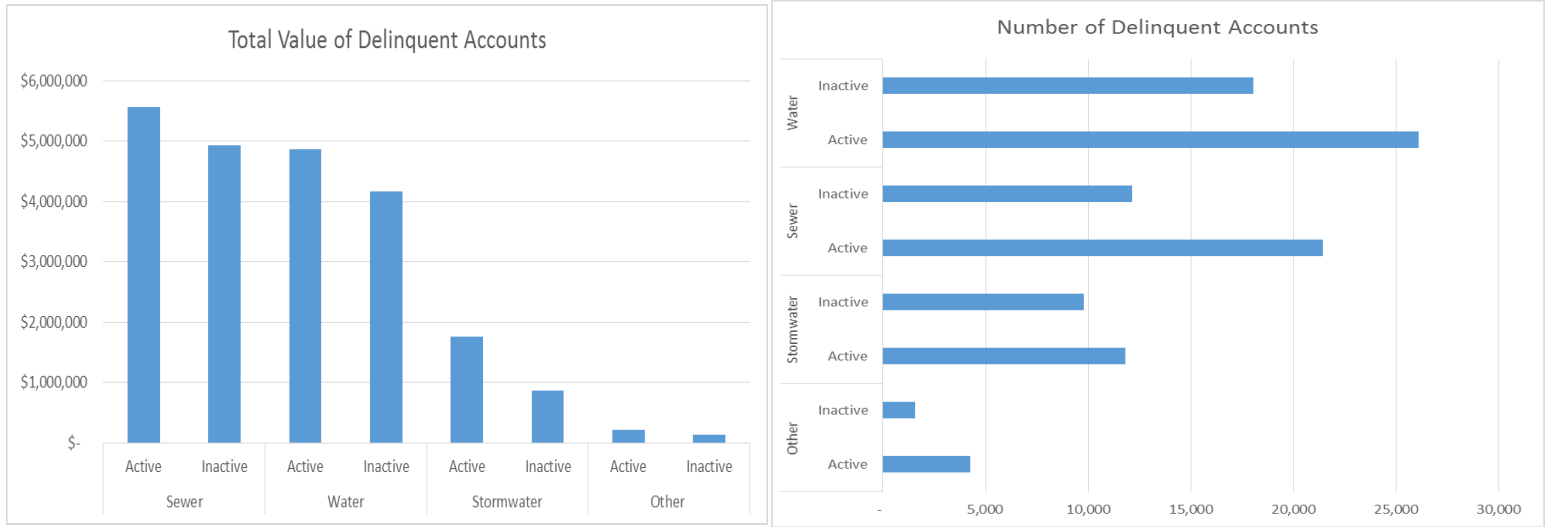
Sample billing and revenue metrics

Biweekly Measures	Reporting Period											
	7/05 7/18	7/19 8/01	8/02 8/15	8/16 8/29	8/30 9/12	9/13 9/26	9/27 10/10	10/11 10/24	10/25 11/07	11/08 11/21	11/22 12/05	12/06 12/19
Delinquent Accounts Summary												
Percent of total accounts that are delinquent									19.09%			
Total Delinquency (All Charges) as percent of total budget (water only less debt service)									25.79%			
Total Water Delinquency (Water Only Charges) as percent of total budget (water only less debt service)									10.36%			
Total												
Delinquent Active Accounts												
# of accounts									26,790.00			
# of accounts 4 years old or older									2,133.00			
# of accounts written off									28			
# of accounts collected on												
# of accounts referred to collections agency									4			
# of accounts referred to law									16			
# of accounts transferred to another account												
\$ of delinquent accounts									12,390,189.61			
\$ of accounts 4 years old or older									3,829,893.66			
\$ of accounts written off									24,939.30			
\$ of accounts collected on									79,153.57			
\$ of accounts referred to collections agency									2,530.29			
\$ of accounts referred to law									20,993.44			
\$ of accounts transferred to another account									21,208.87			
Delinquent Inactive Accounts												
# of accounts									19,029.00			
# of accounts 4 years old or older									8,528.00			
# of accounts written off									4,831.00			
# of accounts collected on												
# of accounts referred to collections agency									760			
# of accounts referred to law									1,501.00			
# of accounts transferred to another account												
\$ of delinquent accounts									10,097,515.01			
\$ of accounts 4 years old or older									6,525,727.26			
\$ of accounts written off									2,262,765.47			
\$ of accounts collected on									10,365.58			
\$ of accounts referred to collections agency									249,999.85			
\$ of accounts referred to law									3,015,369.72			
\$ of accounts transferred to another account									3,289.12			

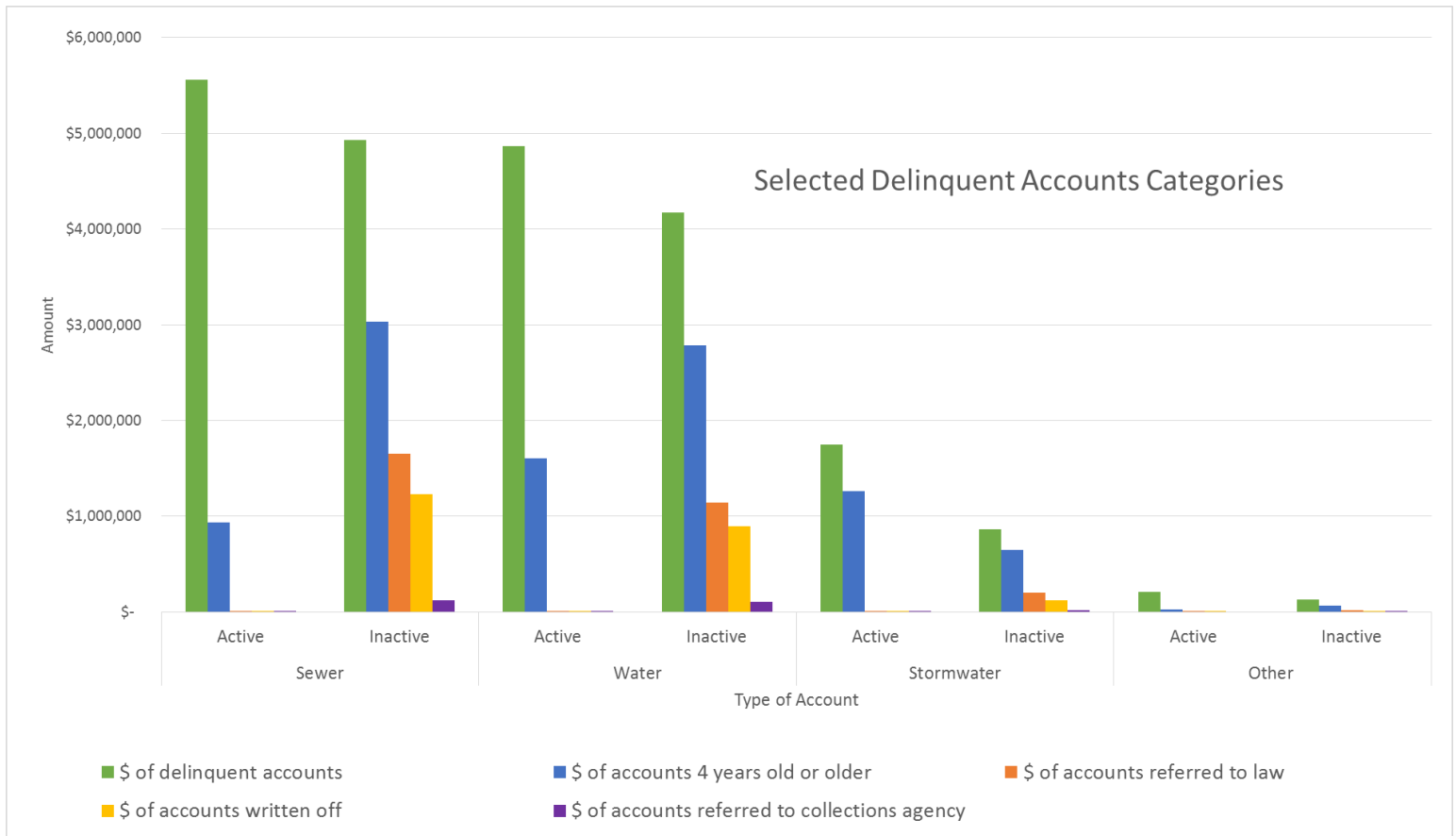


Sample delinquent account metrics

The following charts along with other information provided by the Department help establish a baseline for delinquent accounts.



Further insight can be gleaned by further categorizing these accounts.



- **Law report-out on GCWW collections.** GCWW has provided the following responses to questions in the Follow Up memo.

1. How many referrals does Law receive from GCWW?

According to a summary sheet sent by the Law Department, GCWW has sent 9938 referrals since 2005.

2. Please provide an overview of Law's performance when collecting for water.

According to the same spreadsheet, GCWW referred to Law \$20,780,445.66 in delinquent balances and \$1,728,656.06 in payments were received (8.32%) since 2005.

3. What additional information/resources would Law require to more successfully collect for water?

GCWW and the Law Department will collaborate to develop these suggested improvements.

3. When Law is successful in collecting for a GCWW delinquent account, is that information shared with GCWW? How does information about delinquent accounts get updated when collections are successful?

Upon successful collection the Law Department notifies GCWW via a cash receipt (Form #10 – Stores (Rev 1/97)) to the GCWW Billing Operations Manager (a copy of a recent cash receipt is included as Attachment 5). The cash receipt shows the total amount collected for each account and the 10% collection fee that is retained by Law.

The GCWW Billing Operations Center inputs the amount collected into the billing system for each of the accounts. Then they will rectify any outstanding amounts (due to the law fee and any reduced settlement) through the write-off process.

SERVICE RATES OVERVIEW

The goal of this discussion is to provide value to customer by managing service rates increases while maintaining Department solvency. During our last meeting we reviewed some key factors surrounding service rates. Our next milestone is for GCWW to review the Black and Veatch study, as well as other options for rate management these factors and propose a strategy moving forward.

- **Department report out on rate study.** GCWW has provided the following responses to questions in the Follow Up memo.

1. Department to analyze the “Comprehensive Cost of Service and Rate Study” Report performed by Black and Veatch and provide an overview of the Department’s rate increase management strategy going forward.

We have scheduled a meeting with B&V to review the “Comprehensive Cost of Service and Rate Study” Report and to discuss study methodology, assumptions used, results, and recommendations. This meeting is scheduled for November 19th.

2. How was the rate study conducted?

The 2015 rate study was conducted based upon industry standards, as outlined in the American Water Works Association Manual M1 Principals of Water Rates, Fees and Charges. To complete the study, B&V developed a comprehensive model that basically answers the following questions.

1) How much revenue is needed? B&V developed a five-year pro forma based on data provided by utility management (please note that “utility management” refers to management prior to the de-coupling). This data consisted of customer accounts and usage, capital costs, operating costs, existing debt, existing rates, current wholesale contracts, revenue from rates and other charges. This data was used in the pro forma to determine the revenue requirements necessary to provide water services for GCWW customers. Based on these requirements, system rate increases were set to recover the forecasted revenue requirements.

2) From whom should the revenue be collected? B&V categorized the revenue requirements for Fiscal Year 2016 to the cost categories of operating and capital costs. These costs are allocated to the basic functional components of Base, Extra Capacity, and Customer. The allocations for operating costs were reviewed and updated by utility management and fixed assets as of June 30, 2014 were used to allocate capital costs. B&V developed the unit cost for each functional component based on the resulting allocation of costs.

3) How should the services be priced? B&V developed cost of service rates under the existing rate structure to identify different classes that are over or under recovering their costs of service. Utility management decided to go with an “across the board” increase using the system increase for each existing rate so no further analysis was completed for alternative rate design; however, the model is setup to calculate rate alternatives.

Who was the Department-side liaison?

Ihab Tadros was the main contact.

What were the department specifications to the consultant?

The project scope of work (SOW) attached to the DO was prepared by B&V. The SOW included analysis and forecast of Water Revenue and Revenue Requirement, Cost of Service for a 5-year study period (FY2016-2020), and two (2) alternative Water Rate Designs. FY2016 is used as the test year to determine the unit cost of service for each Customer Class. The SOW is divided into five (5) tasks. Following is a summary of specifications under each task.

Task 1 – Project orientation and data collection - *A meeting between the Consultant and GCWW staff to establish and communicate goals and objectives of the study. Consultant is to collect all necessary data including billing data to execute the project under this task.*

Task 2 – Determination of Revenue Requirements

- *Project customers, water sales, and revenue by applying existing utility rates using FY2016 as a test year.*
- *Forecast revenue requirements over the study period.*
- *Develop cash flow analyses for the 5-year study period.*
- *Develop at least two (2) cash flow alternatives based on the degree to which capital is financed.*

Task 3 – Allocation of Revenue Requirements to Basic Functional Cost Component

- *Review existing cost methodologies used by GCWW in assigning cost responsibility for rate development.*
- *Develop functional cost allocations - The “base-extra capacity” method of allocation as recognized by AWWA Water Rates Manual M1 was proposed for use.*

Task 4 - Distribution of Component Costs to various Customer Classes

- *Estimate projected customer class responsibilities.*
- *Distribute functional cost allocations to customer classes.*
- *Estimate revenue under the existing rates, compare with distributed functional cost of service, and determine adjustment in revenue required.*

Task 5 – Design of Water Rates

- *Design a schedule of rates for GCWW to recover projected revenue requirements.*
- *Develop two (2) alternative rate structures.*
- *Compare revenues under proposed rates to allocated costs of service.*
- *Compare existing and proposed rates.*

What was the value of the contract?

The value of the contract with Black and Veatch was \$89,810.

3. The Department mentioned potential issues with the study’s assumptions, please report-out on these if they are indeed identified?

In the Comprehensive Cost of Service and Rate Study report, certain assumptions were made with respect to conditions, events, and circumstances that may occur in the future, including:

- *Regional and national economic climate conditions.*
- *Customer account and water use projections.*
- *O&M expense projections.*
- *Capital Improvement Program.*
- *Anticipated terms of debt.*

GCWW is currently reviewing the assumptions used. Please see response to #4 (below).

4. Would these issues invalidate the study? If the study is invalid, does it provide any value to the Department? If invalid, would the Department be able to request changes/reassessment?

GCWW recommends re-evaluating the cost of service study to determine if assumptions are valid for the entire study period, and model any necessary modifications to reflect current and anticipated conditions. It is important that the direction and assumptions used in the study are understood and

supported by GCWW and City management. Additionally, an updated cost of service study will ensure that a proper foundation is laid upon which to conduct subsequent studies, including affordability and alternative rate designs. As part of the B&V study, a rate model was prepared which can be reviewed and potentially used as a basis to re-evaluate the cost of service.

5. What kind of in-house expertise would the Department require to perform in-house rate studies?

It is assumed that an economist with the proper financial background could provide the expertise needed to do a rate study in-house. However, GCWW has traditionally had cost of service and rate studies conducted by outside firms which maintain expertise in this area and are familiar with the water utility industry. This practice ensures an up-to-date perspective of rate studies, methodologies, and rate structures, and provides an independent source for evaluation and recommendations.